



Australian Oil & Gas News

Winter 2006



Welcome to Australian Oil & Gas

This quarterly newsletter is prepared by the United States Commercial Service Australia to advise US exporters on developments and opportunities in the Australian Oil & Gas market.

With ever increasing energy costs a number of previously uneconomic projects around Australia are becoming more attractive. This coupled with those projects already slated for development mean that 2006 looks like a great year for suppliers to the oil & gas industry.

Australia is a net consumer of oil & gas equipment with much of the technology used in upstream and downstream being imported. Estimates of the annual market for this kind of equipment are around USD \$2 billion, however this tends to be dependent upon the amount of project work scheduled in any particular year.

For further information relating to this sector please contact.

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Australian Oil & Gas Project List

A healthy oil price and increasing regional demand for petroleum products is driving a number of petroleum projects from feasibility to FEED to development. The following table presents some of the major projects envisaged for the Australian market in the coming years and their current status.

Developer	Project	Location	Cost USD\$mil	Status
Conoco Phillips	Darwin LNG	Darwin, NT	2500	Project is nearing completion with the plant expected to be operational early 2006
ROC Oil	Cliff Head Oil	220 miles north Perth, WA	180	First product flows are expected in Q1 2006, with full scale production soon after
Santos	Casino Gas Field	150 mile SW Melbourne, VIC	150	Gas production is expected to commence in Q1 2006
Woodside	Enfield Oil	30 mile NW Exmouth, WA	1110	Ongoing construction with first oil expected in late 2006
Woodside	Otway Gas Fields	200 mile SW Melbourne, VIC	825	Initial gas production is expected in mid to late 2006
Energy Developments	Karratha LNG Plant	Karratha, WA	115	Construction of LNG plant expected to be complete by mid 2006
Woodside	Perseus to Goodwyn Tie-in	90 mile NW Karratha, WA	150	This addition of sub-sea wells and trunking to the Goodwyn platform should be completed by early 2007
Woodside	Angel Gas Field	North West Shelf, WA	1200	Project is in FEED with production scheduled for 2008
BHP Billiton	Stybarrow	40 mile NW Exmouth, WA	600	Development announced in Nov05 with first production expected in Q1, 2008
Woodside	North West Shelf LNG Train V	Dampier, WA	1500	Construction has commenced on this 4.2 MMt/a LNG project which is scheduled for completion in 2008/09
Exxon	Kipper Gas Project	150 mile SE Melbourne, VIC	225	Design work on this additional gas field in the Gippsland Basin is due to commence in mid 2006
Chevron	Gorgon Gas	100 mile SW of North West Shelf	8500	See the next article in this newsletter
Woodside	Pluto Gas Field	190 mile NW Karratha, WA	3800	Currently in negotiation with gas buyers, FEED due to start in 2006, first gas delivery date of 2010 proposed
Exxon	PNG to Gladstone Gas Pipeline	PNG - Gladstone, QLD	4000	Project is in advanced FEED with a final investment decision on the 1800 mile pipeline expected mid 2006
BHP Billiton	Pilbara LNG Plant + Scarborough Gas	170 mile NW North West Shelf	3000	Still in planning stage with investment decision some time off, anticipated construction completion date 2011
Woodside	Sunrise	275 mile NW of Darwin	3800	A recent decision on the maritime boundary between Australia and East Timor may revive this stalled project



Commonly Asked Questions About the Gorgon Project



1. What is the Gorgon Project?

The Gorgon Project is a USD \$8.5 billion development of the Gorgon and Jansz gas fields, which are located around 100 miles off the northwestern coast of Australia. Gorgon and Jansz are estimated to contain around 40tcf of natural gas.

2. Who is developing the project?

The project is to be developed by an unincorporated joint venture known as the Gorgon Venture - comprising Chevron (50% interest and project operator), ExxonMobil (25%) and Shell (25%).

3. What is the development to comprise?

The development will comprise around 25 sub-sea production wells for the Gorgon and Jansz fields, tie-ins & sub-sea pipelines from these wells to the Barrow Island processing plant (around 45 mile away), gas processing facility on Barrow Island (10 million tonne/year), hydrocarbon ship loading facilities and supply pipeline to Australian mainland.

4. When is the development due to go ahead?

Currently Gorgon is in FEED with this work scheduled for completion mid 2006. A final investment decision is expected before the end of 2006. Detailed design, procurement and construction are anticipated around the start of 2007 with first gas delivery planned for mid 2010.

5. Who is doing the project engineering design?

The Gorgon Venture has appointed an upstream FEED team comprising JP Kenny and Technip, while the downstream FEED team includes Clough, Hatch, JGC and KBR – collectively known as the Kellogg Joint Venture Gorgon.

6. What opportunities are there for suppliers?

A project of this magnitude and complexity is likely to require suppliers beyond Australia, though the project proponents have highlighted the significant role Australian industry is expected to play in this project. The Gorgon Venture has indicated that they expect many Australian companies will form strategic joint ventures or alliances with overseas technology and/or equipment providers.






7. How can the US Commercial Service help?

The Commercial Service can help identify Australian partners for US companies seeking to supply products or services to Gorgon. US suppliers should also keep an eye on the project website.

Information on this page taken from Gorgon Project website – www.gorgon.com.au

Australian Oil & Gas Companies

The Australian oil and gas industry has been active for around 60 years. Whilst many of the world's large multinationals – Apache, BP, Chevron, Conoco Phillips, Eni, ExxonMobil & Shell have operations in Australia there are a number of very successful home grown Australian companies. Below is a quick look at the top five companies by market capitalization.

	Market Cap (USD \$mil)	Amount of Business in Petroleum	Annual Production (BOE mil)	Estimated Reserves (BOE mil)	Countries of Operation
	105,000	20% (balance in diverse mining operations and production)	119	1407	Australia Algeria Pakistan Trinidad & Tobago United Kingdom United States
	19,500	100%	56.2 (operates around 211 BOE for JV partners)	1405	Australia Algeria Iraq Kenya Libya Mauritania South Korea United States
	5,300	100%	47.1	643	Australia East Java Egypt Kalimantan Kyrgyzstan PNG United States
	4,220	55% (balance in electricity generation, networks and retailing)	14.7	163	Australia
	2,500	100%			Australian
					PNG
					Egypt
					Yemen

Is Australian Oil and Gas Exploration Expenditure Still Too Low?

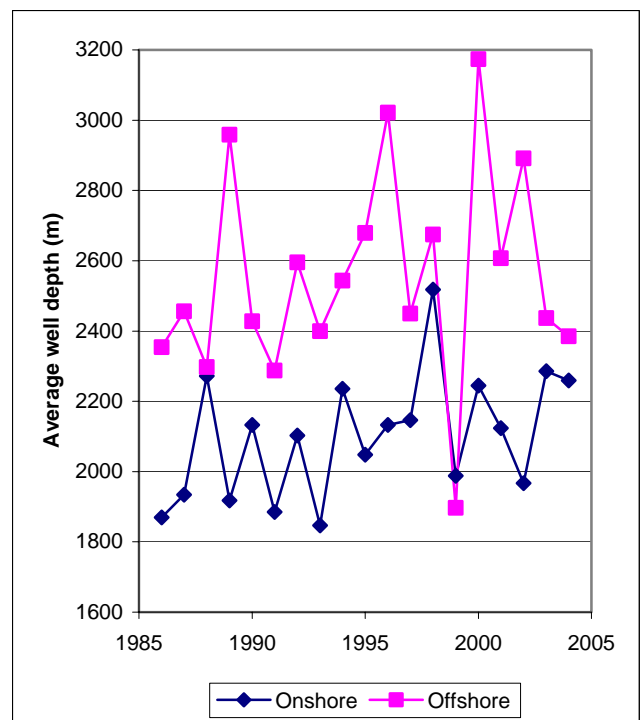
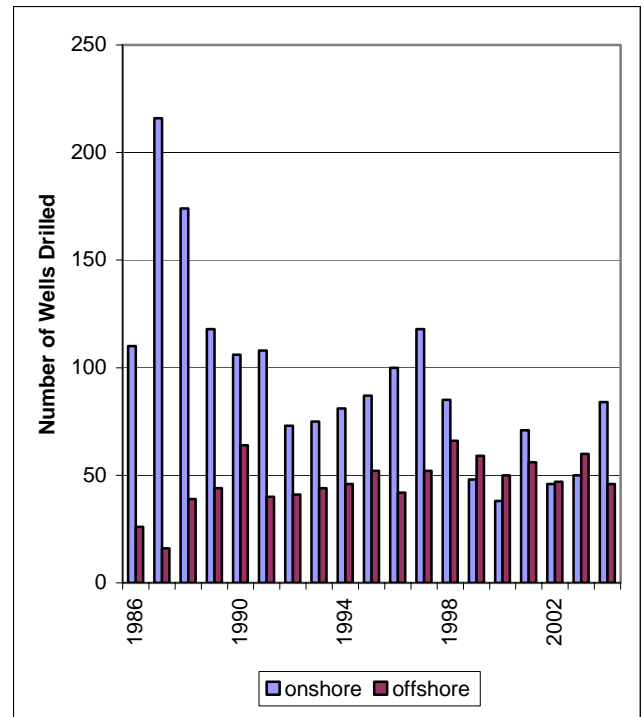
The following article from ABARE highlights that while companies in Australia have been increasing their exploration budgets in recent years – they are still spending below historical exploration expenditure levels.

Expenditure on petroleum exploration increased by 11 per cent in 2004-05, to around \$1.05 billion. However, this is still around 6 per cent lower than annual average expenditure in real terms over the past 25 years (\$1.12 billion). The increase in petroleum exploration expenditure in 2004-05 is likely to have been encouraged by a significant rise in world oil prices during the year.

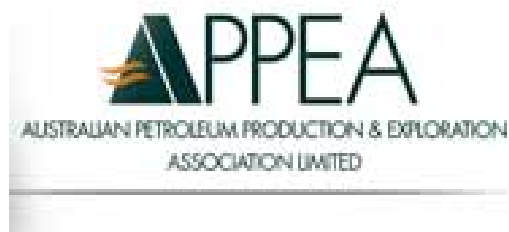
However, short term oil prices are only one factor in determining exploration expenditure in any particular period and a range of other factors are also expected to have had a significant bearing on exploration expenditure decisions. These include factors such as: longer term oil price trends; Australia's relative prospectivity for petroleum; the prospect for Australia's share of growing global LNG trade; the need for long term planning, particularly for relatively expensive offshore petroleum exploration; and the concurrent commitment of resources (funds, equipment and labor) to other activities such as project development.

According to the Australian Petroleum Production and Exploration Association (APPEA) one of the key impediments to increasing exploration in Australia is the Australian Government's financial policy regarding exploration activities. APPEA would like to see greater incentives including an increase in company tax deductions for high risk / frontier exploration and the establishment of "flow through" share schemes to encourage junior explorers.

In 2004 the Australian Government increased allowable tax deductions to 150%, and it is hoped that in this years budget (May 2006) a flow though share scheme may be announced. It is expected that such a scheme would significantly increase exploration expenditure and that suppliers of drilling equipment could be beneficiaries. US manufacturers are a key supplier of such equipment.



Oil & Gas Events 2006/07



APPEA Annual Conference 7-10 May 2006, Gold Coast QLD

The 2005 APPEA Conference & Exhibition was an outstanding success and the largest ever held in the event's 45-year history. Over 1,700 participants attended during the course of the Conference and over 105 companies occupied the equivalent space of 180 booths in the 2005 APPEA Exhibition. This year's event promises to be just as exciting for those focusing on the Australian oil & gas industry.

www.appea.com.au

SEAAOC Annual Conference 19-21 June 2006, Darwin NT

Annually featuring in excess of 300 industry players ranging from the Australian and Asian petroleum value chain with a vested interest in the development of the region, to key global oil, gas and LNG buyers. The SEAAOC conference focuses on the oil & gas interests in Australia's northern region.

<http://www.seaaoc.com/2006.htm>



Australasian Oil & Gas (AOG) 21-23 February 2007, Perth WA

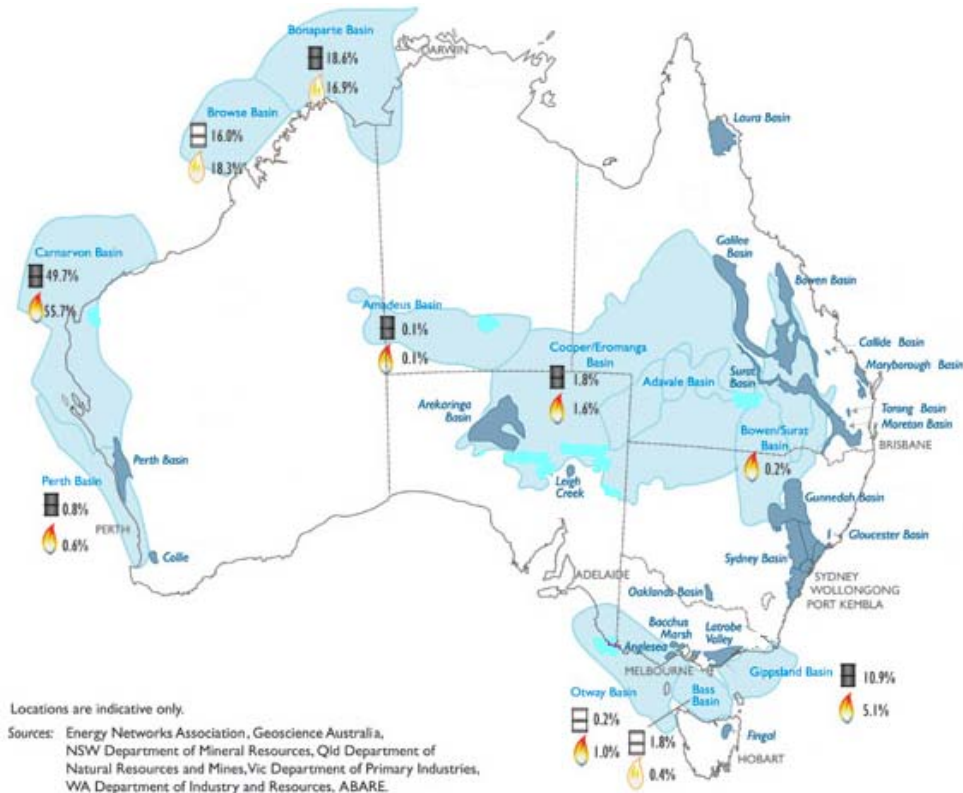
For almost a quarter of a Century, the AOG has built a reputation for being one of the premier oil and gas events around the world. By far the biggest oil and gas show of its type in the Southern Hemisphere, AOG has grown apace with the dramatic developments of the hydrocarbon industry in this region and the strengthening of Australia's position as a world leader in LNG development. And the biennial event is about to get bigger. After outgrowing three previous venues, AOG finally has a home that matches the quality of the Expo and in 2007, it will be staged in the new Perth Convention and Exhibition Centre.

The Commercial Service has teamed up with Imex Management to promote a US pavilion at this event. Details can be found at :

<http://www.imexmgt.com>



Australian Oil & Gas Facts



The map to the left highlights the areas of petroleum resources in Australia, as well as the outlines of the major basins where petroleum activities take place.

The graph to the right displays the volumes of petroleum production in Australia for the last 20 years. Figures taken from APPEA website.

